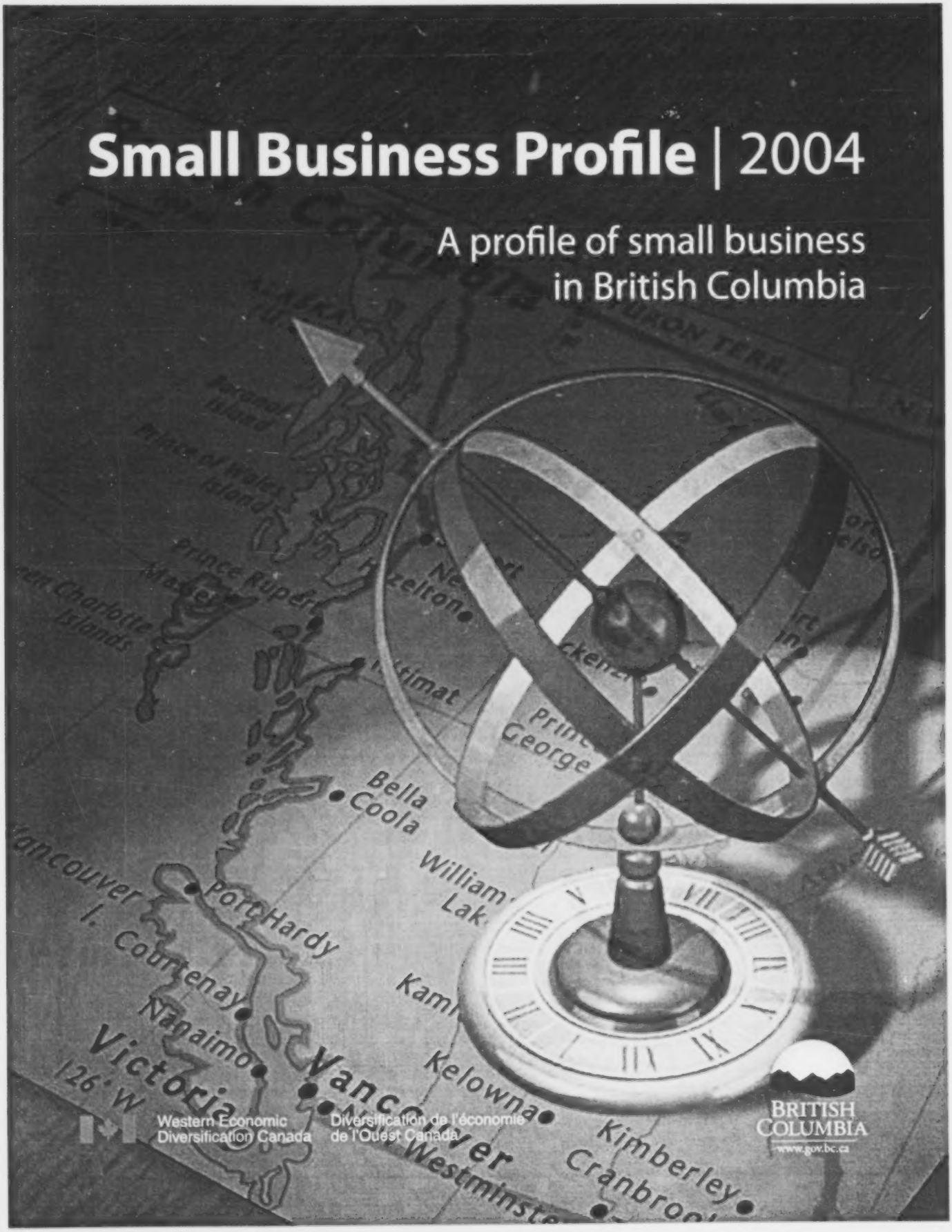
Small Business Profile | 2004

A profile of small business in British Columbia



105-04136/

Western Economic Diversification Canada | Diversification de l'économie de l'Ouest Canada

BRITISH COLUMBIA

Ministry of Small Business and Economic Development

BC Stats

Ministry of Management Services

Small Business Profile | 2004

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Highlights

- **Small Business** – In 2003, 98 per cent of all businesses in British Columbia were small businesses. Micro-businesses (those with fewer than five employees) comprised slightly less than 84 per cent of small businesses.
- **Small Business Growth** – The total number of small businesses in British Columbia climbed by 3.4 per cent in 2003, the second straight year the number of small businesses operating in the province have increased at a rate in excess of three per cent.
- **Employment** – Approximately 971,900 people were employed by small business in British Columbia in 2003, representing 58 per cent of all private sector jobs in the province.
- **Women Entrepreneurs** – Women owned and operated just under 36 per cent of small businesses in British Columbia in 2003, the highest rate of ownership by women in the country.
- **Gross Domestic Product** – Almost 30 per cent of British Columbia's GDP was attributed to small business in 2003, ranking it first among the provinces.
- **High Technology Sector** – Approximately 96 per cent of employers in high technology were small businesses in 2003.
- **Regional Focus** – Across the province, the Northeast region recorded the highest rate of growth in new small businesses, expanding at an average of 2.8 per cent per year over the 1998 to 2003 period.
- **Exports** – Small businesses in British Columbia shipped almost $9.4 billion worth of merchandise to international destinations in 2002, which was a third of the total value of goods exported from the province.

Preface

The small business sector plays an important role in British Columbia's economy as the primary source of private sector jobs, reflecting an important and ongoing trend toward economic diversification within the provincial economy.

A Profile of Small Business in British Columbia (Small Business Profile 2004) is an update of previous versions published annually since 1997. Through the examination of growth trends over the last decade, this report is designed to answer some common questions about the role of small business in British Columbia. Key questions are addressed through a review of the number of businesses, the growth in employment, small business contribution to the economy, the industry breakdown of small businesses, small business impact on regional economies and the role of small business exporters.

Statistical information contained in this report was prepared by BC STATS with data provided by Statistics Canada from various statistical databases such as the Business Register, the Survey of Employment, Payroll and Hours, the Labour Force Survey and the Exporter Registry.

Small Business Profile 2004 is produced in co-operation with the federal and provincial governments. The report was prepared by BC STATS in the British Columbia Ministry of Management Services with assistance from Western Economic Diversification Canada, the British Columbia Ministry of Small Business and Economic Development and Small Business BC.

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1. Small Business Growth

What constitutes a small business?

Although there are many different ways of defining 'small business,' the definition most commonly used focuses on the number of employees:

- Businesses with fewer than 50 employees and businesses operated by a person who is self-employed, without paid help.

Sometimes businesses with fewer than 50 employees are also described as small and medium enterprises (SMEs).

How many businesses are there in British Columbia?

The number of businesses in British Columbia in 2003 totalled 366,700. Of these about 98 per cent, or 359,600, were small businesses. Just under 57 per cent of all businesses in the province were operated by people who were self-employed with no paid employees.

Is the number of small businesses in British Columbia growing?

For the second straight year, the total number of small businesses operating in the province increased at a rate in excess of three per cent, rising 3.4 per cent from the number recorded in 2002. Both businesses with employees (+0.7 per cent) and businesses operated by self-employed individuals without paid help (+5.4 per cent) increased in number, although the growth in self-employed was much stronger.

The two years of increases follow on the heels of three consecutive years of decline. Self-employed small businesses (unincorporated, without paid help) have been responsible for most of the change in the number of small businesses in British Columbia. In fact, the number of small businesses with employees in British Columbia has increased in each year in the last decade and growth rates have not exceeded one per cent since 1997. By way of contrast, self-employed businesses experienced double-digit growth from 1996 to 1998 before reversing course in 1999 to start three years of decline.

The number of large businesses (50 or more paid employees) in British Columbia contracted in 2003, shrinking 3.7 per cent, wiping out all the gains made in 2002.

Figure1: Total Number of Businesses in B.C., 2003

	Number of Businesses	Percent of Total
Total small businesses	**359,600**	**98.1%**
Self-employed without paid help†	208,300	56.8%
Businesses with less than 50 employees	151,300	41.3%
Total large businesses	**7,100**	**1.9%**
Total all businesses	**366,700**	**100.0%**

†To avoid double counting, incorporated self-employed are not included in this figure.
SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

Figure 2: Number of small businesses in BC (000's), 1993-2003

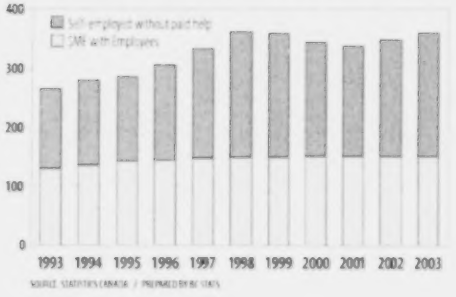
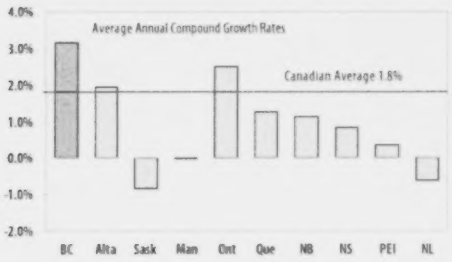


Figure 3: BC is the leader in small business growth, 1993-2003



SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

Figure 4: Size distribution of small business in BC, 2003

	Number of Businesses	Percent of Total
Total businesses with 0 to 4 employees	**301,100**	**83.7%**
Self-employed without paid help	208,300	57.9%
Businesses with 1 to 4 employees	92,800	25.8%
Businesses with 5 to 19 employees	46,300	12.9%
Businesses with 20 to 49 employees	12,300	3.4%
Total small businesses	**359,600**	**100.0%**

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

Figure 5: Growth in the number of BC businesses, 1993-2003

	Average Annual Growth (#s)	Annual Compound Growth Rate
Total small business†	**9,600**	**3.1%**
Self-employed without paid help	7,300	4.4%
Businesses with 1 to 4 employees	1,600	1.9%
Businesses with 5 to 19 employees	400	1.0%
Businesses with 20 to 49 employees	200	1.6%
Total Large Businesses	**200**	**4.2%**
Total all businesses	**9,800**	**3.2%**

† Figures do not add due to rounding.

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

How does small business growth in British Columbia compare with other provinces?

Like most provinces, British Columbia experienced three straight years of decline in the number of small businesses from 1999 to 2001. However, on average, over the last decade British Columbia has been the top province for small business growth in Canada. From 1993 to 2003, British Columbia averaged a 3.1 per cent increase in net new small businesses per year. By comparison, the number of small businesses across the country grew at an average annual compound rate of 1.8 per cent. Only two other provinces saw increases greater than the national average: Ontario, with an annual average growth of 2.5 per cent per year and Alberta, with average annual change of 1.9 per cent.

Most of the expansion occurred in the first five years of the decade (1993-1998) when the number of small businesses in Canada grew at an average annual rate of 10.1 per cent. All provinces experienced significant increases in the number of new small businesses, led by British Columbia (+11.6 per cent average annual increase), Alberta (+11.0 per cent) and Ontario (+10.7 per cent). On the other hand, in the latter half of the decade (1998-2003), all provinces experienced declines in the number of small businesses. British Columbia's average annual drop (-4.7 per cent) was lower than the Canadian average of -5.8 per cent, ranking it fourth in the country behind Prince Edward Island (-4.1 per cent), Nova Scotia (-4.4 per cent) and Newfoundland and Labrador (-4.5 per cent).

How do small businesses measure up?

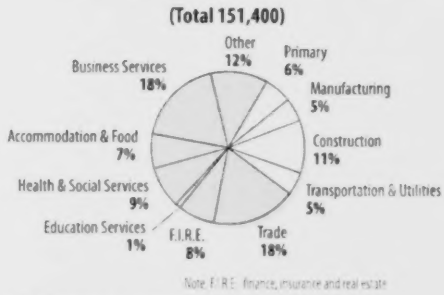
The vast majority of small businesses in British Columbia are micro-businesses with fewer than five employees. There were 301,100 small businesses fitting this description in 2003, comprising 84 per cent of all small enterprises. Approximately 58 per cent of all small businesses were self-employed persons without paid help and 26 per cent had one to four employees. Within micro-businesses only, 69 per cent were self-employed persons without paid help and 31 per cent had one to four employees.

Over the last decade (1993 to 2003), the number of small businesses in British Columbia grew by an average of 9,600 per year, which translates to an average annual compound rate of 3.1 per cent. Of these, 7,300 were self-employed workers without paid help. Overall, small business growth lagged that of large businesses, which grew at an average annual compound rate of 4.2 per cent.

In which sectors are small businesses concentrated?

Almost three-quarters of small businesses in British Columbia are in the service sector. The largest service sector industry is business services, which contains 22 per cent of all British Columbia small businesses, followed by trade with 13 per cent. Business services are concentrated more in businesses without paid employees, while trade is more prevalent in businesses with employees. Construction is the most significant industry in the goods sector, accounting for 12 per cent of all small businesses.

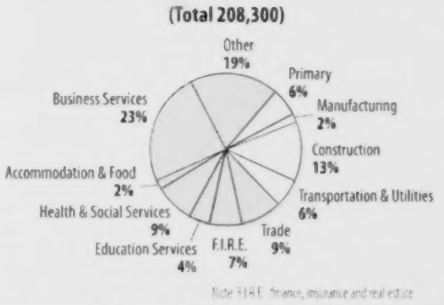
Figure 6a: Small businesses with 1-49 employees, 2003



Note: F.I.R.E. finance, insurance and real estate

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

Figure 6b: Small businesses with no paid help, 2003

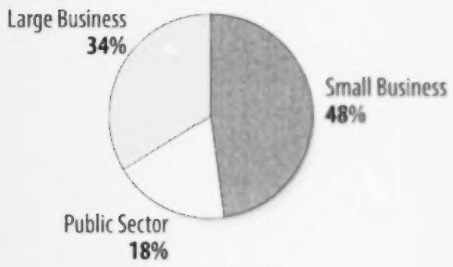


Note: F.I.R.E. finance, insurance and real estate

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

2. Small Business Employment

Figure 7: Almost half of all jobs in British Columbia were in small business, 2003



SOURCE: STATISTICS CANADA, BC STATS / PREPARED BY BC STATS

Figure 8: Private sector employment in British Columbia by size of business, 2003

	Employment	Percent of Total
Total small business employment	**971,900**	**58%**
Self-employed	383,700	23%
Employed by small business	588,200	35%
Large business employment	**690,000**	**42%**
Total private sector employment	**1,661,900**	**100%**

SOURCE: STATISTICS CANADA, BC STATS / PREPARED BY BC STATS

How many jobs does small business provide in British Columbia?

Approximately 971,900 jobs in British Columbia were derived from small business in 2003. This accounts for 48 per cent of total employment in the province, which is the same market share of jobs attributed to small business in 2002.

The private sector (both small and large businesses) employed 1,661,900 people in British Columbia in 2003, of which 971,900 worked in small businesses (58 per cent of private sector jobs). This percentage is essentially unchanged from 2002.

Self-employment accounted for 23 per cent of private sector employment in 2003. Within private sector businesses with paid employees, 54 per cent were in large businesses and the remaining 46 per cent were in small businesses.

How many jobs has small business created?

Employment in small businesses in British Columbia increased 2.0 per cent from 2002 to 2003. This is the second straight year of at least two per cent growth after three years where the change in small business employment was either flat or negative. Over the last five years (between 1998 and 2003), small businesses created approximately 35,000 net new jobs in British Columbia, which is about 27 per cent of the total employment increase in the province. The growth was entirely in businesses with employees, as the number of self-employed individuals declined by 4,900 in that interval. Meanwhile, small businesses with employees experienced net increases in all but one year in the period, including a 1.7 per cent jump in 2003.

How does British Columbia's small business employment compare to other provinces?

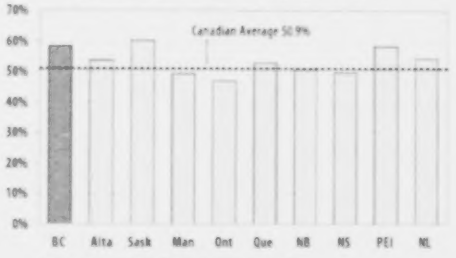
In 2003, among the provinces, British Columbia ranked second in terms of the proportion of private sector employment derived from small business. Just over 58 per cent of private sector employment in British Columbia was supplied by small business in 2003, which is

more than seven percentage points higher than the national average. Saskatchewan was the only province with a greater reliance on small business employment, at 60 per cent, while Prince Edward Island was almost even with British Columbia. At 47 per cent, Ontario had the least dependence on small business for private sector employment.

There is significant variation among the provinces in terms of small business employment, which may be related to their distinct economic structures. For example, Saskatchewan and Prince Edward Island have significant agricultural sectors and these farming operations are often small businesses with fewer than 50 employees.

Employment in small businesses in British Columbia climbed 2.0 per cent between 2002 and 2003. This growth was only good enough to rank British Columbia fourth among the provinces, but still exceeded the national average of 1.5 per cent. Newfoundland and Labrador (+4.7 per cent) and Alberta (+3.4 per cent) led the way with the strongest growth in small business employment in the country.

Figure 9: British Columbia ranks second in small business as a percent of private sector employment, 2003



SOURCE: STATISTICS CANADA, BC STATS / PREPARED BY BC STATS

Self-employment

What constitutes self-employment?

People who spend most of their working hours operating their own businesses are classified as "self-employed." The self-employed can be categorised as either incorporated or unincorporated and each of these categories can be further classified as operating with paid help or without paid help (i.e., working by themselves). This produces four major categories of self-employed workers.

Figure 10: Number of self-employed business owners in British Columbia, 2003

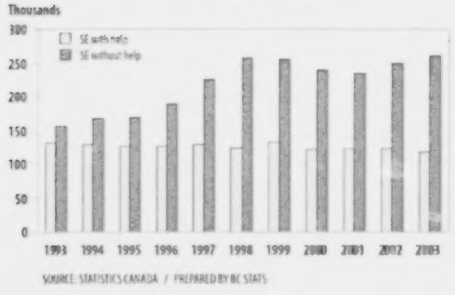
	With paid help	Without paid help	Total	Percent
Incorporated	76,200	52,800	129,000	34%
Unincorporated	42,500	208,300	250,800	66%
Total self-employment	**118,700**	**261,100**	**379,800**	**100%**

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

How many self-employed people are there in British Columbia?

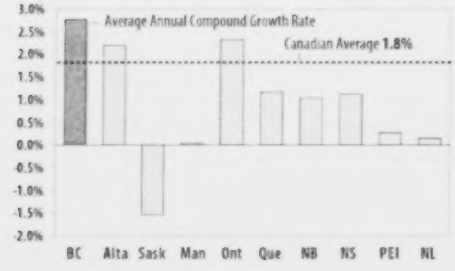
There were 383,700 self-employed people in British Columbia in 2003, of which approximately 3,900 worked in family businesses without pay. The remaining 379,800 self-employed business owners were 7,700 more than in 2002, an increase of 2.1 per cent. Almost two-thirds (66 per cent) of self-employed businesses were unincorporated. The largest category of self-employed was unincorporated without paid help, representing the majority (55 per cent) of self-employed small businesses.

Figure 11: Self-employed without paid help have grown the fastest, 1993-2003



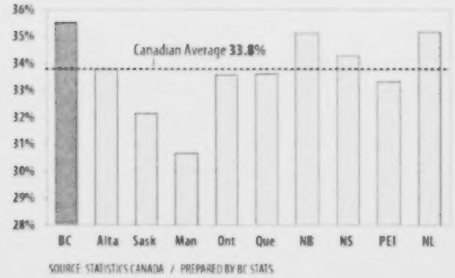
SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

Figure 12: BC leads self-employment growth, 1993-2003



SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

Figure 13: Proportion of small businesses owned by women, 2003



SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

Which categories of self-employed have been growing the fastest?

In 2003, British Columbia had more than twice as many self-employed without paid help than there were self-employed with paid help. This is a substantial transformation from the beginning of the 1990s when the number of self-employed without paid help in British Columbia was only slightly higher than those with paid help.

Although the number of self-employed with paid help in British Columbia has declined somewhat over the last decade, dropping

9.0 per cent between 1993 and 2003, the change has more to do with the rapid increase in self-employed without paid help. This group expanded 67.7 per cent from 1993 to 2003, with much of the growth occurring in the mid-1990s.

The two classes of self-employed persons continued to move in opposite directions between 2002 and 2003 as the number of self-employed with paid help declined by 3.7 per cent, or a net loss of 4,500 businesses. Meanwhile, self-employed individuals without paid help increased 4.9 per cent, or 12,200 persons.

How does self-employment growth in British Columbia compare with other provinces?

Over the last decade, British Columbia has had the top rate of growth in self-employment in the country. Between 1993 and 2003, self-employment in British Columbia grew at an average annual compound rate of growth of 2.8 per cent. Ontario (+2.3 per cent) and Alberta (+2.2 per cent) were the only other provinces to exceed the national rate of 1.8 per cent.

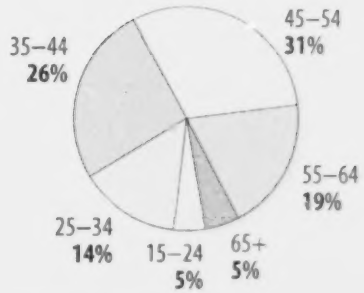
What proportion of self-employed entrepreneurs are women?

Among the provinces, British Columbia has the highest proportion of small business owners that are women. Just under 36 per cent of small businesses in British Columbia are owned and operated by women, compared to a Canadian average of less than 34 per cent. At 31 per cent, Manitoba has the lowest share of women owning small businesses.

What is the age structure of self-employed entrepreneurs?

Over half (57 per cent) of small business owners are between the ages of 35 and 55, but there are significant proportions of both younger and older small business owners. Almost one-fifth (19 per cent) of all entrepreneurs are under 35, with five per cent of small business owners between the ages of 15 to 24, and a further 14 per cent in the 25 to 34 year age category. Of those workers 55 and over, the majority are under 65, accounting for 19 per cent of all entrepreneurs. Five per cent of all self-employed are more than 65 years old.

Figure 14: Self-employed by age, 2003

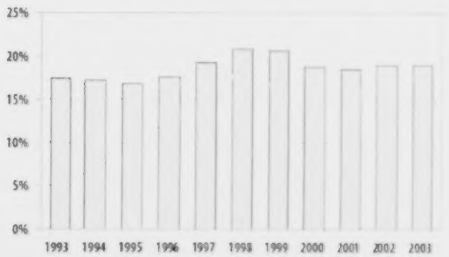


SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

What proportion of total employment is comprised of the self-employed?

In 2003, self-employment accounted for 19 per cent of total employment in British Columbia, unchanged from 2002.

Figure 15: British Columbia's self-employment as a percent of total employment, 1993-2003

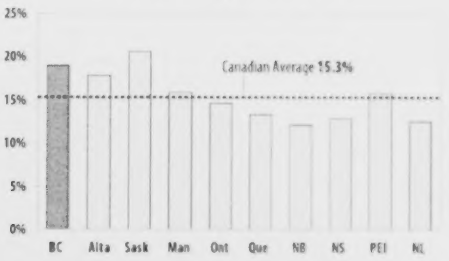


SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

How does British Columbia compare to other provinces?

Only Saskatchewan (21 per cent), with its reliance on family farming, had a higher proportion of self-employed workers than British Columbia in 2003. New Brunswick, at 12 per cent had the lowest proportion. The Canadian average was 15 per cent.

Figure 16: Self-employment as a percent of total employment by province, 2003



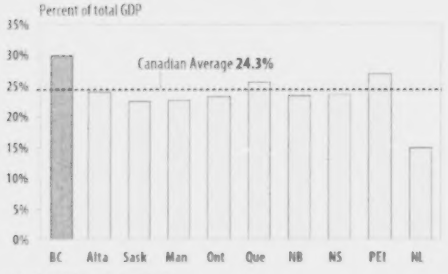
SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

3. Contribution to the Economy

Small business contributes to the provincial economy in several ways: by creating and maintaining jobs, through production of goods and services, and by meeting payrolls that support families and stimulate further economic activity.

The key measure of economic production of a sector is referred to as its Gross Domestic Product (GDP). GDP represents the value that a sector adds to the raw inputs it uses, which is an important aspect of the sector's contribution to the economy.

Figure 17: British Columbia ranked first among the provinces in terms of proportion of GDP attributed to small business, 2003



SOURCE: BC STATS / PREPARED BY BC STATS

Figure 18: Changes in average annual earnings, 1998-2003

	Small Business	Large Business
Earnings 1998 (payroll/employee)	$ 27,072	$ 35,482
Earnings 2003 (payroll/employee)	$ 30,401	$ 38,482
Percent Change	**12%**	**8%**

SOURCE: STATISTICS CANADA, BC STATS / PREPARED BY BC STATS

How large is the contribution of small business to British Columbia's economy relative to other provinces?

In 2003, small businesses in British Columbia accounted for almost 30 per cent of the province's GDP. This is well above the national average of 24 per cent, demonstrating the importance of small businesses to the economy of British Columbia. Only two other provinces exceeded the national average in terms of GDP derived from small businesses: Prince Edward Island, at 27 per cent, and Quebec, at 26 per cent. The province with the smallest contribution to GDP from small businesses was Newfoundland and Labrador, at 15 per cent.

How does average pay compare between small and large businesses?

On average, large businesses tend to pay their employees higher wages than do small businesses. The difference amounted to just over $8,000 in 2003, a gap that has been fairly consistent over the last four years.

The average small business employee earned $30,401 in 2003, compared to $38,482 for the average large business employee, a difference of just over 26 per cent.

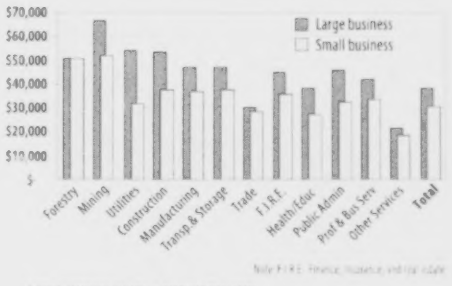
Between 1998 and 2003, growth in average earnings of small business employees outpaced that of employees of large businesses. Small business employees in British Columbia earned 12 per cent more in 2003 than they did in 1998, while employees in large businesses gained only eight per cent over the same period. Most of the growth occurred between 1999 and 2000 when earnings for employees of small businesses jumped 11 per cent and those of workers in large businesses climbed four per cent.

How does average pay compare across industries for small versus large businesses?

For the most part, wages in businesses with 50 or more employees exceed those in small businesses across all major industry groupings. The one exception, over the last few years, has been the forestry and logging sector[1]. It is difficult to say why small businesses in this sector have been paying their employees more, on average, than larger businesses. Perhaps the large number of layoffs in the sector over the last few years has somehow affected higher paid workers in large businesses disproportionately more than those in small businesses.

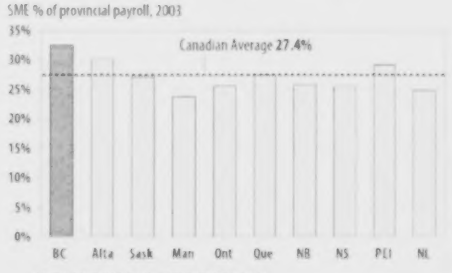
By far the largest average annual earnings gap between small and large businesses is in the utilities industry, where large businesses pay about $22,600 more than their counterparts in small businesses. Construction work has the next largest wage disparity, with a difference of over $15,400. The logging and forestry sector had the smallest difference, at just over $100. Retail and wholesale trade industries had the next smallest difference, with an annual wage gap of about $1,700. Employees in the accommodation and food sector earned the lowest wages, on average.

Figure 19: Average annual earnings by industry, 2003



SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

Figure 20: British Columbia small business represents 33 per cent of the 2003 provincial payroll



SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

How does British Columbia compare in terms of the portion of total payroll generated by small business?

Small business accounted for almost 33 per cent of wages paid to workers in British Columbia in 2003, which was five percentage points higher than the Canadian average and the highest in the country. At just under 24 per cent, Manitoba was the province with the smallest percentage of payroll derived from small business.

[1] This sector is comprised mainly of logging and excludes milling operations, which are included in manufacturing sector.

4. Growth Industries and Special Sectors

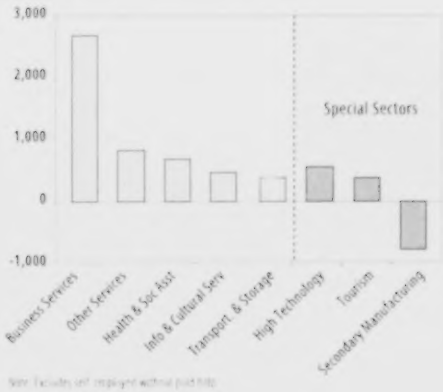
Explanation:

The following information contains comparisons of standard industries, such as business services and retail, and specially defined industries such as tourism, high technology and secondary manufacturing. Information is not available concerning "self-employed persons without paid help" within these special industries. Consequently, some figures in this section may differ from other parts of this document.

Resource extraction-based industries continue to be significant components of British Columbia's economy, but sectors such as tourism, high technology and value-added (secondary) manufacturing also play a significant role. It is these industries that are often thought to be the most likely sources of growth for the future economy of the province and since they are less reliant on capital-intensive resource extraction, they are a good fit for development by small business.

In the high technology sector, for example, 96 per cent of employers are small businesses. Innovation is the basis for growth in this sector and these services often can be performed efficiently from homes, small offices and small plants by a small number of employees.

Figure 21: Number of new small businesses—fastest growing sectors in British Columbia, 1998-2003



Note: Excludes self-employed without paid help.
SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

Number of Small Businesses

Which industries show the greatest increase in the number of small businesses?

Over the last five years, the business services sector recorded by far the most growth in small businesses. Between 1998 and 2003, there was a net addition of almost 2,700 establishments to the sector, an average of about 535 annually. 'Other Services,' which includes industries such as repair and maintenance, laundry and personal services, and religious, civic and other similar organizations, ranked second in small business growth with a net gain of more than 800 establishments over the five-year period.

Special Sectors

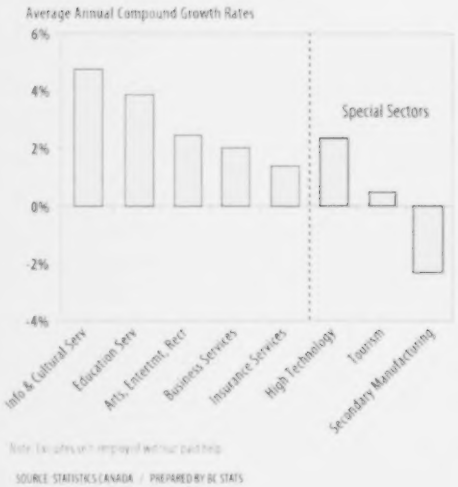
Explanation:

This section contains information on industries that are not defined by the North American Industry Classification System (NAICS) used by Statistics Canada. The tourism, high technology and secondary manufacturing sectors are called "Special Sectors" in this section and are in fact composites of smaller parts of traditionally defined industries under NAICS. Tourism, for example, includes data from parts of the transportation industry, accommodation and food services, and information, culture and recreation services, among others. High technology includes both manufacturing and services components.

Of the three special sectors, only two have had an increase in the number of small businesses over the last five years. High technology led the way with a net addition of 564 small businesses between 1998 and 2003. All the gains were in high technology services, as the number of high technology manufacturing establishments actually declined over the period.

The tourism industry also experienced an increase in the number of small businesses over the five-year period, with a net gain of just under 400 new businesses. Secondary manufacturing, on the other hand, experienced a net decline of almost 800 businesses.

Figure 22: Sector growth rates for number of small businesses, 1998-2003



SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

Which industries show the fastest rates of growth in new businesses?

Among the standard sectors, small businesses in information and cultural services industries experienced the most rapid growth in establishments with an annual average compound growth of 4.8 per cent between 1998 and 2003.

In the specially defined sectors, high technology continued to set the pace with a 2.3 per cent average compound rate of growth. Growth in small business establishments in tourism was well behind high technology, at only 0.5 per cent and secondary manufacturing saw an average annual decline of 2.3 per cent.

Figure 23: Growth in business services sector establishments by employee size, 1998-2003

Employee size	Net change
1 – 4	+2,146
5 – 9	+271
10 – 19	+62
20 – 29	+105
30 – 49	+90

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

Figure 24: Small business employment—fastest growing sectors in British Columbia, 1998-2003

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

Small Business Employment

Data on employment by industry are not readily available; however, Statistics Canada's Business Register does have industry detail by employee-size class. As such, the analysis in this section is based on the change in the number of firms within each employee-size class, rather than direct employment figures.

Which industries are experiencing the most job growth?

The business services sector was far and away the largest provider of new small business jobs over the last five years. Between 1998 and 2003, there was an increase in the number of business service establishments in every employee size category. In particular, there was an explosion of growth in the number of micro-businesses (one to four employees) with a net growth of 2,146 businesses over the period.

The number of small business employees in secondary manufacturing declined between 1998 and 2003, as there was a drop in the number of establishments in every employee size category. The overall reduction ranged from about 5,300 to 9,950 workers.

In the high technology sector, there was significant employment growth, particularly in businesses employing between one and four people, where there was a net increase of 580 establishments. Virtually all the employment growth was in the service sector as high technology manufacturing experienced a small increase in the number of businesses only in the 20 to 29-employee size category. Overall, the number of high technology manufacturing jobs in British Columbia fell over the five-year period. However, the growth in high tech service jobs was enough to mitigate the losses in the manufacturing sector. On the whole, the high technology sector was a significant source for job growth in British Columbia between 1998 and 2003.

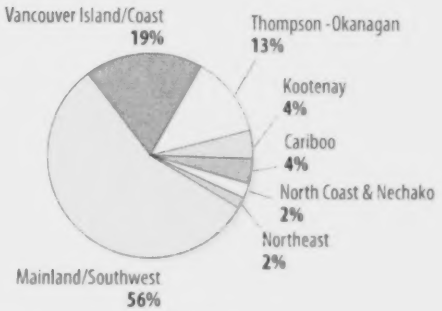
The tourism sector experienced a substantial drop in small businesses employing between 20 to 29 employees, which indicates that there was a loss in the number of small business tourism jobs over the five-year period. Even though the number of businesses grew in every other size category, the job growth in those size classes could not have been enough to offset the decline in employment caused by the reduction of businesses with between 20 and 29 employees.

5. Regional Focus

Which regions have the greatest number of small businesses?

The Mainland/Southwest region, which includes Greater Vancouver, was home to approximately 56 per cent of all small businesses in the province in 2003. This is slightly less than its 59 per cent share of total provincial population. About 19 per cent of small businesses were located in the Vancouver Island/Coast region, which has just over 17 per cent of British Columbia's population. The Thompson-Okanagan region was ranked third with 13 per cent of small businesses, which is slightly higher than its 12 per cent population share. The remaining regions combined, which have about 12 per cent of the provincial population, also accounted for 12 per cent of the province's small businesses.

Figure 25: Mainland/Southwest accounted for over half of all small businesses in BC, 2003



SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

In which regions are the greatest numbers of small businesses forming?

The Northeast led the province in growth in the number of small businesses over the last five years with an average annual compound rate of growth of 2.8 per cent. At the other end of the spectrum, the Cariboo region experienced the greatest drop in number of small businesses, losing almost 5,000 businesses over the period. This translates to an average annual compound rate of decline of 6.1 per cent. Most of the lost businesses were in either the forest or construction sectors. The story was similar in the Thompson-Okanagan, where there was an average annual decline of 1.0 per cent in the number of small businesses.

Figure 26: Number of small businesses by region, 1998-2003

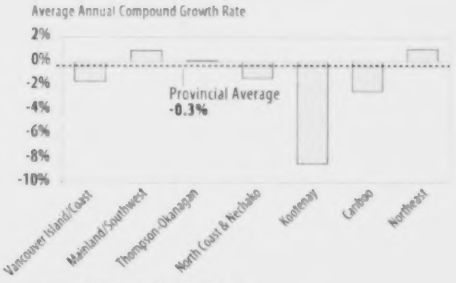
	Average Annual Change (#s)	Annual Compound Growth Rate
Vancouver Island / Coast	200	0.3%
Mainland / Southwest	700	0.4%
Thompson - Okanagan	-500	-1.0%
Kootenay	100	0.9%
Cariboo	-1,000	-6.1%
North Coast & Nechako	-100	-1.6%
Northeast	200	2.8%
Provincial Total	**-400**	**-0.1%**

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

In what regions is self-employment growing the fastest?

The Northeast region also led the province in growth of self-employment over the 1998 to 2003 period, increasing at an average annual compound rate of 1.0 per cent, followed closely by the Mainland/Southwest at 0.9 per cent. All other regions of the province experienced falling self-employment over the period, with the exception of Thompson-Okanagan where the number of self-employed rebounded in 2003 such that they equalled the number from 1998. The Cariboo region again suffered the largest drop, declining at an average annual compound rate of 8.5 per cent over the five-year period.

Figure 27: Self-employed business growth rate for regions in British Columbia, 1998-2003



SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

In what regions are the "special sectors" growing the fastest?

Secondary manufacturing small business establishments disappeared in every region of the province between 1998 and 2003. The northern and interior regions of the province suffered the highest rates of decline, but the southern regions also shed a significant number of small businesses in secondary manufacturing.

The number of small businesses in the high technology sector increased in most regions of the province with the exception of the Cariboo (-3.2 per cent) and North Coast & Nechako (-4.6 per cent). The strongest growth was in Vancouver Island/Coast (+3.5 per cent).

There was some growth in the number of tourism-related establishments in the Mainland/Southwest and Kootenay regions (both at +1.2 per cent), but in all other regions of the province, growth was either flat or there was a drop in the number of small businesses in tourism.

Figure 28: High technology leads special sector establishment growth throughout BC, 1998-2003

	Tourism		High Technology		Secondary Manufacturing	
Development Region	Average Annual Growth (#s)	Average Annual Compound Rate	Average Annual Growth (#s)	Average Annual Compound Rate	Average Annual Growth (#s)	Average Annual Compound Rate
Vancouver Island / Coast	-5	-0.2%	29	3.5%	-12	-1.3%
Mainland / Southwest	99	1.2%	85	2.6%	-112	-2.5%
Thompson – Okanagan	-15	-0.7%	4	1.0%	-15	-2.0%
Kootenay	10	1.2%	1	0.9%	-2	-0.9%
Cariboo	-10	-1.6%	-4	-3.2%	-10	-5.1%
North Coast & Nechako	0	0.1%	-3	-4.6%	-5	-4.8%
Northeast	-3	-1.1%	1	2.0%	-4	-5.7%

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

6. Small Business Exporters

How is a small business exporter defined?

A good can be exported to either another country or to another region within a country, such as another province. This report considers only international exports, so that an exporter is defined as a business that ships merchandise to international destinations. A business with fewer than 50 employees that exports goods out of the country is then a small business exporter.

Export data for businesses by employee size is available for 2002 only. Data on exports of services is not available by business size.

Note that data for British Columbia on its own is not readily available. In order to meet confidentiality requirements, Statistics Canada has grouped the Territories (Yukon, Northwest Territories and Nunavut) into a region with British Columbia. Therefore, the data reported here includes exporters in the Territories. However, based on years where data for the Territories was not suppressed, the inclusion of exporters from the Territories should not significantly influence the numbers. For example, in 1995, the exporting establishments from the Territories represented less than half of a percent of the regional total. For value of exports, the numbers were even less significant, coming in at about 0.1 per cent of the regional total.

How many British Columbia small businesses export?

There were 6,163 businesses in British Columbia that exported goods internationally in 2002, of which approximately 79 per cent were small businesses. The 4,877 small business exporters accounted for about 1.4 per cent of all small businesses in the province. In other words, 98.6 per cent of small businesses in British Columbia are not exporters.

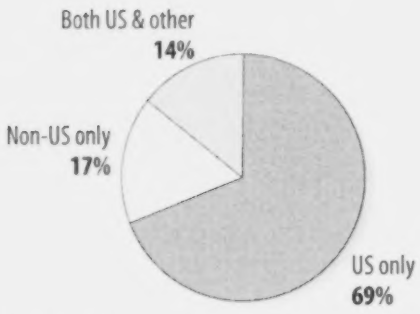
British Columbia small business exporters employed almost 69,700 people in 2002, accounting for seven per cent of total small business employment. About one-third of all exports from British Columbia were shipped by small businesses, amounting to $9.4 billion.

Figure 29: Number of British Columbia* exporters, employees and value of exports, 2002

	Number of Establishments	Number of Employees	Value of Exports ($millions)
Small business exporters	4,877	69,678	$9,380.5
Large business exporters	1,286	279,486	$19,357.6
Total all exporters	**6,163**	**349,164**	**$28,738.0**

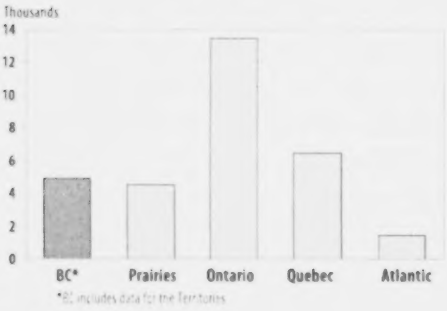
*Includes data for the Territories.
SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

Figure 30: Most BC* small business exporters shipped exclusively to the United States in 2002



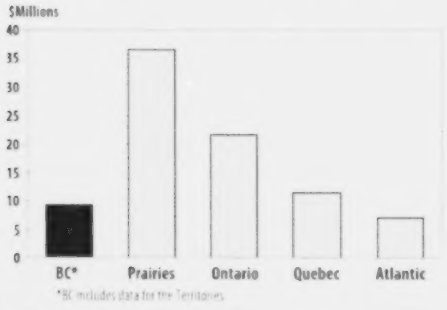
*Includes data for the Territories.
SOURCE: STATISTICS CANADA, BC STATS / PREPARED BY BC STATS

Figure 31: Number of small business exporters by region, 2002



SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

Figure 32: Value of small business exports by region, 2002



SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

What is the destination of goods shipped by British Columbia small business exporters?

Approximately 69 per cent of British Columbia small business exporters shipped exclusively to the United States in 2002. One of the reasons for this may be related to the high cost of transportation, since small businesses are less likely to be able to afford these costs. Those businesses that did export to other destinations tended to ship greater volumes, which probably helped defray transportation costs. Small businesses that shipped only to destinations outside the United States were responsible for 26 per cent of all small business exports despite comprising only 17 per cent of small business exporters.

How do British Columbia small business exporters compare to those in other regions in the country?

There were more small business exporters in British Columbia than in all the Prairie provinces combined in 2002. Part of the reason for this is that many small farms in the Prairies have their exports handled by large co-operatives like the Canadian Wheat Board. Ontario led the way with twice as many small business exporters as second ranked Quebec.

Although there were fewer small business exporters in the Prairies than in the top three provinces, the value of shipments by those businesses in the Prairies was far in excess of any other region in the country. In fact, the value of small business exports from the Prairies was almost 70 per cent more than those from Ontario, which were already more than double the amount shipped by small business exporters in British Columbia. Over 90 per cent of the exports from the Prairies were non-manufactured goods, which may be an indication that they were mainly agricultural products.

Time Trends

Data by employee size is available only for 2002, but data by size of exports is available for earlier years. In the following time trend analysis, small exporters are defined as those that have exported less than $1 million worth of goods during the year. Medium and large exporters are those whose annual merchandise shipments were worth $1 million or more.

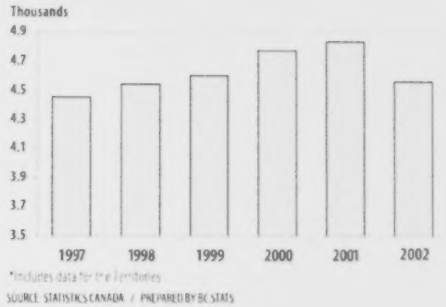
Is the number of small exporters in British Columbia growing?

After steady growth through the last decade, the number of small exporters in British Columbia declined by 5.7 per cent in 2002. At the same time there was a slight increase in the number of medium and large exporters (+0.9 per cent) in the province. Despite the drop in the number of small exporters, they still represented almost three-quarters (73.9 per cent) of all exporters.

How does the growth in the number of small exporters in British Columbia compare with other regions?

The number of small exporters in Canada increased slightly between 1997 and 2002, as growth in Western Canada outpaced declines in the rest of the country. All regions east of the Prairies experienced a net decline in small exporters while Western Canada saw expanded numbers. The Prairies led the way with an average annual growth of 2.0 per cent, well ahead of British Columbia's more modest 0.5 per cent growth. It is possible that the declines in the rest of the country may be because many small exporters became medium or large exporters. In fact, the number of medium and large exporters experienced strong growth across the country, with a Canadian average of 3.6 per cent, compared to only 0.1 per cent for small exporters.

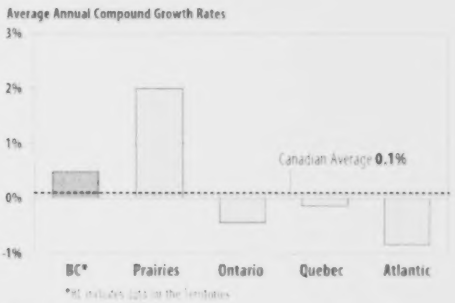
Figure 33: Number of Small Exporters in BC*, 1997-2002



*Includes data for the Territories

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

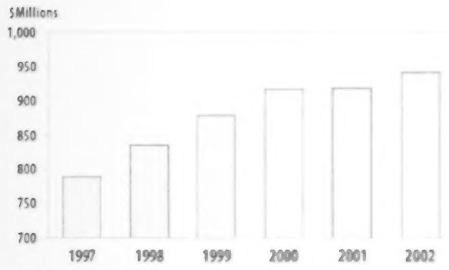
Figure 34: The number of small exporters increased only in Western Canada, 1997-2002



*BC includes data for the Territories

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

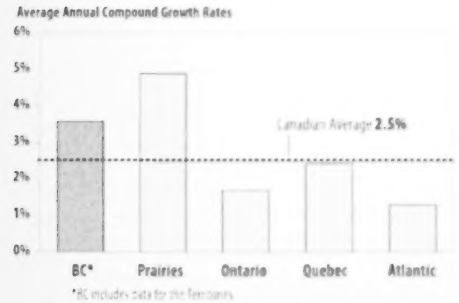
Figure 35: Value of BC* shipments by small exporters, 1997-2002



*Includes data for the Territories

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

Figure 36: BC has the second strongest growth in value of small business exports, 1997-2002



*BC includes data for the Territories

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

What is the value of exports for small exporters in British Columbia?

In 2002, small exporters in British Columbia shipped $940 million worth of goods to international destinations. Although these small exporters comprise almost three-quarters of all exporters in the province, they shipped only about three per cent of all exports from British Columbia.

How does the growth in the value of exports in British Columbia compare with other regions?

British Columbia trailed only the Prairie provinces in terms of growth in the value of small exporter shipments between 1997 and 2002. The value of international shipments by small exporters in British Columbia increased at an average annual compound rate of 3.6 per cent in that period, compared to 2.5 per cent for Canada as a whole. Small exporter shipments from the Prairies grew at 4.9 per cent. All other regions were below the national average.

Technical Notes

All statistics presented in this document are based on the best data currently available. A comprehensive listing of all businesses operating in British Columbia or elsewhere does not exist; therefore, business counts must be estimated to some extent. BC STATS has combined data from several sources to produce estimates of the total number of large and small businesses operating in British Columbia and other provinces, as well as the employment and payrolls generated by these businesses.

The results may differ from estimates produced in other studies using different data and different methodologies. Differences will potentially be more in terms of absolute numbers, rather than direction of trends or the relative standing of British Columbia compared to other provinces. This edition of the *Small Business Profile* incorporates statistical revisions, such that year-over-year comparisons should not be made using last year's edition.

Data Sources:

Estimates of the number of businesses have been produced using data from Statistics Canada's *Business Register* and *Labour Force Survey.*

Estimates of employment and payrolls have been produced using Statistics Canada's *Survey of Employment, Payroll and Hours, Employment Dynamics* and *Labour Force Survey.*

All self-employment numbers have been obtained directly from the *Labour Force Survey.* Data describing small business exporters is derived from the *Exporter Registry.*

Special Sector Definitions:[2]

Tourism includes industries such as transportation, accommodation, food services, and other tourism-related activities.

High technology industries may employ a high proportion of scientists and researchers or invest a high proportion of revenues in research and development. Other industries that produce high technology products are also included.

Secondary manufacturing industries are those that produce goods from the products of other manufacturers. For example, a sawmill is a manufacturing operation, but not a secondary manufacturer, because its logs do not come from another manufacturer. A factory producing wooden doors with lumber obtained from sawmills, on the other hand, is a secondary manufacturer.

[2] Further information on the tourism sector is available at:
www.bcstats.gov.bc.ca/data/bus_stat/busind/tourism.htm
Further information on the high technology sector is available at:
www.bcstats.gov.bc.ca/data/bus_stat/busind/hi_tech.htm

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Small Business BC
Comprehensive business information and business planning resources for starting and growing a business in British Columbia
1 800 667-2272
www.smallbusinessbc.ca

BusinessGateway.ca
The Government of Canada's main site for business information
1 866 287-4283
www.businessgateway.ca

OneStop Business Registry
Online Business Registration and Change of Business Address
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eBC eBusiness Connection
e-business information resources for small and medium-sized businesses
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Investment Capital Programs
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Government Agents
Province-wide access to government services including key government transactions for business
1 800 663-7867 (Enquiry BC) to be transferred to the nearest Government Agents Office
www.governmentagents.gov.bc.ca

Community Futures Development Association of British Columbia
Business counseling and assistance for new and existing business in rural British Columbia
www.communityfutures.ca/provincial/bc/

Women's Enterprise Society
Business information counseling and skills training for women entrepreneurs
1 800 643-7014
www.wes.bc.ca

La Société de développement économique
The Francophone Economic Development Organization enhances the vitality of minority language communities and assists with economic development
www.sdecb.com

Small Business BC
www.smallbusinessbc.ca

BC Stats
www.bcstats.gov.bc.ca

Western Economic Diversification Canada
Diversification de l'économie de l'Ouest Canada
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